

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
OF THE
MIDDLESEX COUNTY STEM CHARTER SCHOOL
NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

MIDDLESEX COUNTY STEM CHARTER SCHOOL

JUNE 30, 2023

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MIDDLESEX COUNTY STEM CHARTER SCHOOL

January 22, 2024

The Honorable Chairman and
Members of the Board of Trustees
Middlesex County Stem Charter School
County of Middlesex
Perth Amboy, New Jersey

Dear Board Members:

The Annual Comprehensive Financial Report of the Middlesex County Stem Charter School for the fiscal year ended June 30, 2023, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The school is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) REPORTING ENTITY AND ITS SERVICES** The Middlesex County Stem Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14, as amended. All funds and account groups of the school are included in this report. Middlesex County Stem Charter School, Board of Trustees, constitutes the Charter School's reporting entity.

2) **ENROLLMENT OUTLOOK:** Average Daily Enrollment:

Average Daily Enrollment		
Fiscal Year	Student Enrollment	Percent Change
2022-23	510	52.80%
2021-22	317.3	20.55%
2020-21	263.2	43.34%
2019-20	183.5	96.80%

3) **MAJOR ACCOMPLISHMENTS:**

Middlesex County STEM Charter School provided a full range of educational services to kindergarten through 6th-grade students for the school year 2022-23. These services included regular as well as special education instruction. 510 elementary school students were enrolled in kindergarten through 6th grade.

The mission of Middlesex County STEM Charter School is to offer a rigorous education in science, technology, engineering, and mathematics (STEM) within an inclusive and nurturing environment. Our primary aim is to ignite students' interest in STEM careers at an early stage.

In today's 21st-century world, the demand for a diverse skill set is ever-increasing due to constant technological advancements. Our graduates will enter a global job market where competition is fierce, especially in high-tech industries that require critical thinking and problem-solving abilities. By fostering an early passion for STEM subjects, Middlesex County STEM Charter School equips students with the tools to thrive in this competitive landscape.

Our instructional approach emphasizes a STEM-oriented model that encourages collaborative, interdisciplinary learning. This approach enables students to make meaningful connections to real-world challenges and incorporates hands-on, problem-based, and inquiry-based teaching methods, all of which leverage the power of technology.

Experiencing this STEM-focused educational approach during their middle and high school years inspires Middlesex County STEM Charter School graduates to pursue STEM education in higher education and throughout their careers.

4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits like to be derived: and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the school also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the school management.

As part of the school’s single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the school has complied with applicable laws and regulations.

- 5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the school maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the school and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2023.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the school is organized on the basis of funds and account groups. These funds and account groups are explained in the Notes to the Financial Statements.

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of report, the school continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General, Special Revenue and Proprietary funds for the fiscal period ended June 30, 2023.

Revenue	Amount	Percent of Total
State / Local Share	\$6,519,054	84%
State Sources	487,287	6%
Special Revenue - Restricted	669,855	9%
Misc.	123,720	1%
Proprietary Fund	-0-	0%
Total	<u>\$7,799,916</u>	<u>100%</u>

The following schedule presents a summary of the General, Special Revenue and Proprietary fund expenditures for the fiscal period ended June 30, 2023.

Expenditures	Amount	Percent of Total
General Fund	\$6,385,488	91%
Special Revenue Fund	676,594	9%
Proprietary Fund	<u>361</u>	<u>0%</u>
Total	<u>\$7,062,443</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the school is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The school had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.

10) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Gerald D. Longo, CPA was selected by the Charter School.

In addition to meeting the requirements set forth in the state statutes, the Charter School is required to undergo an annual single audit in conformity with the provisions of the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the New Jersey OMB's Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid. Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

Respectfully submitted,



Dr. Namik Sercan
Chief Education Officer

MIDDLESEX COUNTY STEM CHARTER SCHOOL

ROSTER OF TRUSTEES

JUNE 30, 2023

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Mrs. Jackie Lewis, President	6/2024
Mr. Anthony Attanasio, Vice President	6/2026
Mr. John Cascarano, Member	6/2026
Mr. David Vitali, Member	6/2024
Ms. Jessenia Morales, Member	6/2024
Administration:	
Dr. Namik Sercan, Chief Education Officer	6/2023
Mr. Fiona Daubon – Business Administrator/Board Secretary	6/2023
Mr. Christopher Lessard, Treasurer	6/2023

CONSULTANTS AND ADVISORS
June 30, 2023

AUDIT FIRM

Gerald D. Longo, CPA
62 Old Queens Blvd.
Manalapan, NJ 07726-3648

ATTORNEYS

Thomas O. Johnston, Esq.
Johnston Law Firm LLC
151 Forest Street, Suite A
Montclair, New Jersey 07042

OFFICIAL DEPOSITORY

Unity Bank
120 Cedar Grove Ln
Somerset, NJ 08873

FINANCIAL SECTION

GERALD D. LONGO
CERTIFIED PUBLIC ACCOUNTANT
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Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
Middlesex County Stem Charter School
County of Middlesex
Perth Amboy, New Jersey

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Middlesex County Stem Charter School, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Middlesex County Stem Charter School's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Middlesex County Stem Charter School as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. My responsibilities under those standards and Specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Middlesex County Stem Charter School and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Middlesex County Stem Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and Audit Requirements prescribed by the Office of School Finance Department of Education, State of New Jersey:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Middlesex County Stem Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Middlesex County Stem Charter School's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedules related to accounting and reporting for Pensions and Post-Retirement Benefits and the other required supplementary information and notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middlesex County Stem Charter School's basic financial statements. The combining and individual fund financial statements and the schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In my opinion, the combining and individual fund financial statements and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report for the year ended June 30, 2023. The other information comprises the introductory and statistical sections but does not include the basic financial statements and my auditors' report thereon. My opinions

on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 22, 2024, on my consideration of the Middlesex County Stem Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Middlesex County Stem Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Middlesex County Stem Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
January 22, 2024

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

This section of Middlesex County Stem Charter School annual financial report presents its discussion and analysis of the Board’s financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the transmittal letter at the front of this report and the Board’s financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022-23 fiscal year include the following:

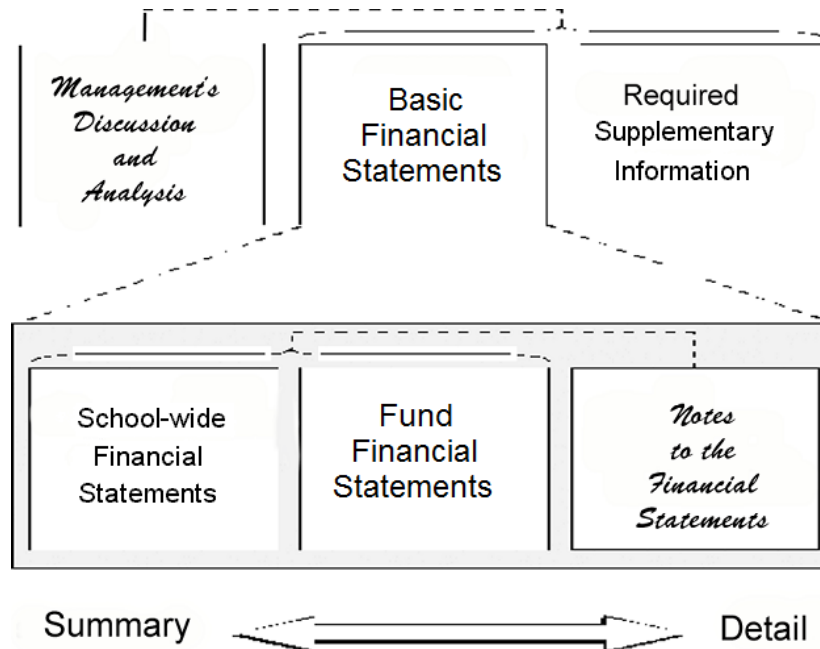
- Total Net Position is \$2,384,053.
- The Unrestricted – Unassigned Fund balance at June 30, 2023 is \$2,648,235.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information that includes the management’s discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Middlesex County Stem Charter School.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the Middlesex County Stem Charter School overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Middlesex County Stem Charter School, reporting the Middlesex County Stem Charter School operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities the Middlesex County Stem Charter School operates like businesses.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the Middlesex County Stem Charter School financial statements, including the portion of the Middlesex County Stem Charter School activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 - Major Features of the School-wide and Financial Statements

	School-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the Middlesex County Stem Charter School that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the Middlesex County Stem Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

School-wide Statements

The school-wide statements report information about the Middlesex County Stem Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Middlesex County Stem Charter School assets and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the Middlesex County Stem Charter School net position and how they have changed. Net position – the difference between the Middlesex County Stem Charter School assets and liabilities – are one way to measure the Middlesex County Stem Charter School financial health or position.

In the school-wide financial statements, the Middlesex County Stem Charter School activities are shown in two categories:

- *Governmental activities*- Most of the Middlesex County Stem Charter School basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aid finance most of these activities.
- *Business-type activities*- The Middlesex County Stem Charter School Food Service Fund and the after school program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Middlesex County Stem Charter School funds – focusing on its most significant or “major” funds – not the Middlesex County Stem Charter School as a whole.

Funds are accounting devices the Middlesex County Stem Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

Middlesex County Stem Charter School uses other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

The Middlesex County Stem Charter School has two kinds of funds:

- **Governmental funds-** Most of the Middlesex County Stem Charter School basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Middlesex County Stem Charter School programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the Middlesex County Stem Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.

FINANCIAL ANALYSIS OF THE MIDDLESEX COUNTY STEM CHARTER SCHOOL AS A WHOLE

Net position. The Middlesex County Stem Charter School Net Position is \$2,384,053 as of June 30, 2023. (See Table A-1).

Schoolwide	<u>\$2,384,053</u>
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The Statement of Net Position of \$2,384,053 reflects total capital assets of \$435,322 at June 30, 2023 net of assumed depreciation of \$187,896 from inception.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

The Middlesex County Stem Charter School financial position is the product of these factors:

- Special Revenue Fund - Revenues were \$669,855
- Special Revenue Fund - Expenditures were \$699,855
- General Fund Revenues were \$7,130,061
- General Fund Expenditures were \$6,385,488

**Table A-1
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Net Position
As of June 30, 2023**

	<u>Total</u>
Current and Other Assets	\$2,856,912
Right-to-use lease assets-net	2,146,966
Capital Assets - Net	247,426
Total Assets and Deferred Pension Inflows	<u>\$5,251,304</u>
Current and Other Liabilities	\$ 208,677
Lease Liabilities	2,658,574
Total Liabilities and Deferred Pension Inflows	<u>\$ 2,867,251</u>
Net Position:	
Invested In Capital Assets, Net	247,426
Unrestricted	2,136,627
Total Net Position	<u>\$2,384,053</u>
 Total Liabilities, Deferred Inflows and Net Position	 <u>\$5,251,304</u>
 Fund Balance - June 30, 2023	 \$2,648,235
Invested In Capital Assets, Net	247,426
Amortization expense over principal payments on leases	(511,608)
Net Position - June 30, 2023	<u>\$2,384,053</u>

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

**Table A-2
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2023**

Revenues	<u>Total</u>	<u>%</u>
Program revenues		
Charges for services		
Operating grants and contributions		
General revenues		
Federal and State Aid-Unrestricted	\$ 7,021,173	90%
Federal Aid-Restricted	655,023	9%
Other	123,720	1%
Proprietary Fund	0	
Total Revenues	<u>\$ 7,799,916</u>	<u>100%</u>
Expenses		
Regular Instruction	\$ 3,564,340	51%
General Administrative	1,952,285	28%
School Administrative	1,439,629	20%
On-behalf TPAF Social Security / Pension / Medical	104,267	1%
Capital Outlay	1,561	0%
Proprietary Fund	361	0%
Total Expenses	<u>\$ 7,062,443</u>	<u>100%</u>
Decrease in Net Position	\$ 737,473	
Net Position - Beginning July 1, 2022	2,169,067	
Decrease in Capital Assets	(55,780)	
Net Position Before Pension Adjustments	<u>2,850,760</u>	
Amortization expense over principal payments on leases	(466,707)	
Net Position - End of Year June 30, 2023	<u><u>\$ 2,384,053</u></u>	

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

**Table A-3 (See Exhibit A-2)
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Total Cost and Net Cost of Services - School Wide
For the Fiscal Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	\$ 3,564,340	\$ 2,963,401
Support Services			
General Administrative Services	B-2	1,952,285	1,876,630
School Administrative Services	B-2	1,439,629	1,439,629
On-behalf TPAF Social Security	B-2	104,267	104,267
Capital Outlay	B-2	1,561	1,561
Enterprise Fund	G-2	361	361
Total School Wide Activities		<u>\$ 7,062,443</u>	<u>\$ 6,392,588</u>

FINANCIAL ANALYSIS OF THE MIDDLESEX COUNTY STEM CHARTER SCHOOL FUNDS

The financial performance of the Middlesex County Stem Charter School as a whole is reflected in its total activities Exhibit A-2. As the Middlesex County Stem Charter School completed the year, it reported a combined unassigned fund balance of \$2,648,235.

Revenues for the Middlesex County Stem Charter School General, Special Revenue and Proprietary Funds were \$7,799,916 while total expenses were \$7,062,443.

GENERAL FUND

The General Fund includes the primary operations of the Middlesex County Stem Charter School in providing educational services to students in grade K through 6.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

The following schedule presents a summary of School Wide Revenues.

Table A-4 (See Exhibit B-2)
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Changes in Revenues - School Wide
For the Fiscal Years Ended June 30

Revenues	Year Ended 06/30/2023	Year Ended 06/30/2022	Amount of Increase (Decrease)
Local Sources:			
Other Local Revenue	123,720	345,633	\$ (221,913)
Total Local Sources	\$ 123,720	\$ 345,633	\$ (221,913)
Intergovernmental			
State Sources	7,021,173	4,594,184	\$ 2,426,989
Federal Sources	655,023	595,605	59,418
Total Intergovernmental Sources	\$ 7,676,196	\$ 5,189,789	2,486,407
Total Revenue - School Wide	\$ 7,799,916	\$ 5,535,422	\$ 2,264,494

The following schedule presents a summary of School Wide Expenditures.

Table A-5 (See Exhibit B-2)
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Changes in Expenditures - School Wide
For the Fiscal Years Ended June 30

Proprietary Expenditures	Year Ended 06/30/2023	Year Ended 06/30/2022	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 3,564,340	\$ 2,359,597	\$ 1,204,743
General Administrative Services	1,952,285	1,434,016	518,269
School Administration	1,439,629	982,939	456,690
On-behalf TPAF Social Security/ Pension / Medical	104,267	87,458	16,809
Capital outlay	1,561	91,981	(90,420)
Enterprise Fund	361	-	361
Total Expenditures - School Wide	\$ 7,062,443	\$ 4,955,991	\$ 2,106,452

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)**

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the School Wide Unreserved – Unassigned Fund Balance.

**Table A-6
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Changes in Unreserved Fund Balances - School Wide
For the Fiscal Years Ended June 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Unreserved-Unassigned					
Fund Balance	\$2,648,235	\$1,910,762	\$3,092,597	\$80,511	\$15,999
Expenditures	\$7,062,443	\$4,955,941	\$17,756,656	\$17,310,858	\$13,627,790
Percentage	38.0%	39.0%	17.5%	0.40%	0.12%

The Middlesex County Stem Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designated to support the subsequent years budget is \$2,648,235 for the 2023-24 school year.

CAPITAL ASSETS

**Table A-7
MIDDLESEX COUNTY STEM CHARTER SCHOOL
Summary of Capital Assets - School Wide
For the Fiscal Year Ended June 30, 2023**

Furniture, equipment and building improvements	\$435,322
Total	<u>\$435,322</u>
Less: Accumulated Depreciation / Amortization	(187,896)
Total - Net Capital Assets	<u><u>\$247,426</u></u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

FACTORS BEARING ON THE SCHOOL'S FUTURE

While many factors influence the Charter School's future, the availability of State funding and the economy will have the most impact on educational and fiscal decisions in the future.

These and many other factors were considered by the Charter School's administration during the process of developing the fiscal year 2023-24 budget. The primary factors were the Charter School's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs. These indicators were considered when adopting the budget for fiscal year 2023-2024.

CONTACTING THE MIDDLESEX COUNTY STEM CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Middlesex County Stem Charter School finances and to demonstrate the Middlesex County Stem Charter School accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Middlesex County Stem Charter School, 613 Carlock Ave, Perth Amboy, NJ 08861

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Middlesex County Stem Charter School operations. These financial statements present the financial position and operating results of all funds as of June 30, 2023.

SCHOOL-WIDE FINANCIAL STATEMENTS

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Net Position
As of June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 1,912,655	\$ 302	\$ 1,912,957
Receivables	886,163	-	886,163
Interfund	-	-	-
Security Deposit - Rental	57,792	-	57,792
Right-to-use lease assets-net	2,146,966	-	2,146,966
Capital assets, net	247,426	-	247,426
Total Assets	<u>5,251,002</u>	<u>302</u>	<u>5,251,304</u>
Deferred outflows of resources			
Pension deferred outflows	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 5,251,002</u>	<u>\$ 302</u>	<u>\$ 5,251,304</u>
LIABILITIES			
Accounts payable	\$ 53,569	-	\$ 53,569
Payroll Liabilities	85,489	-	85,489
Deferred revenue	69,619	-	69,619
Lease liabilities	2,658,574	-	2,658,574
Total Liabilities	<u>2,867,251</u>	<u>-</u>	<u>2,867,251</u>
Deferred inflows of resources			
Pension deferred inflows	-	-	-
NET POSITION			
Invested in capital assets - Net	247,426	-	247,426
Unrestricted	2,136,325	302	2,136,627
Total Net Position	<u>2,383,751</u>	<u>\$ 302</u>	<u>2,384,053</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 5,251,002</u>	<u>\$ 302</u>	<u>\$ 5,251,304</u>
Fund Balance June 30, 2023 - B-1	\$2,647,933		
Right-to-use lease assets-net of accumulated Amortization	2,146,966		
Principal balance of lease liabilities	(2,658,574)		
Cost of capital assets, net accumulated depreciation	247,426		
Net position before pension adjustments	<u>2,383,751</u>		
Less: pension adjustments net	0		
Total net position - June 30, 2023	<u>\$2,383,751</u>		

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Regular	\$ (3,564,340)		\$ (600,939)		\$ (2,963,401)	\$ (2,963,401)
Support services:						
General administratrion	0					
School administrative services/ operations plant	(1,952,285)		(75,655)		\$ (1,876,630)	\$ (1,876,630)
On - behalf TPAF Social Security / Pension / Medi	(1,439,629)				(1,439,629)	(1,439,629)
Student Activity	(104,267)				(104,267)	(104,267)
Capital Outlay	(6,739)				(6,739)	(6,739)
Total governmental activities	(1,561)				(1,561)	(1,561)
Total governmental activities	<u>(7,068,821)</u>		<u>(676,594)</u>		<u>(6,392,227)</u>	<u>(6,392,227)</u>
Business-type activities:						
Food Service	(361)	-				(361)
Total business-type activities	<u>(361)</u>	-				<u>(361)</u>
Total primary government	<u>(7,069,182)</u>	<u>\$ 0</u>	<u>\$ (676,594)</u>		<u>\$ (6,392,227)</u>	<u>\$ (6,392,588)</u>
General revenues:						
State / Local Share				1,396,529	-	1,396,529
State and Federal Aid				5,609,812	-	5,609,812
Miscellaneous Income				123,720	-	123,720
Increase in net Capital Outlay				(55,780)	0	(55,780)
Total general revenues, special items,				<u>7,074,281</u>	<u>-</u>	<u>7,074,281</u>
Change in Net Position - Increase				682,054	(361)	681,693
Amortization expense over principal payments on leases				(466,707)		(466,707)
Net Position - July 1, 2022				2,168,404	663	2,169,067
Net Position - June 30, 2023				<u>\$ 2,383,751</u>	<u>\$ 302</u>	<u>\$ 2,384,053</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this document.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 1,299,810	\$ 499,449	\$ 1,799,259
Receivables	552,011	334,152	886,163
Interfund	745,663	(717,756)	27,907
Security Deposit - Rental	57,792	-	57,792
Total Assets	\$ 2,655,276	\$ 115,845	\$ 2,771,121
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,343	46,226	\$ 53,569
Deferred Revenue		69,619	69,619
Due to State	-	-	0
Total Liabilities	7,343	115,845	123,188
Fund Balances:			
Unassigned	2,647,933	-	2,647,933
Total Fund Balances	2,647,933	-	2,647,933
Total Liabilities and Fund Balances	\$ 2,655,276	\$ 115,845	\$ 2,771,121

Amounts reported for Governmental Activities in the statement of net position (A-1) are different because:

Total Governmental Fund Balance - June 30, 2023	\$2,647,933
Right -to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,220,449 less the accumulated amortization (\$1,073,483)	2,146,966
Lease liabilities used in governmental activities are not financial resourced and therefore are not reported in the funds	<u>(2,658,574)</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is and the accumulated depreciation	435,322 <u>(187,896)</u> 247,426
Net position of Governmental Activities before pension adjustments - June 30, 2023	<u><u>\$ 2,383,751</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this document.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
State / Local Share	\$ 6,519,054	\$ -	\$ 6,519,054
Student Activity		-	0
Miscellaneous	123,720	-	123,720
Total - Local Sources	<u>6,642,774</u>	<u>-</u>	<u>6,642,774</u>
State Sources	487,287	14,832	502,119
Federal Sources	-	655,023	655,023
Total Revenues	<u>7,130,061</u>	<u>669,855</u>	<u>\$7,799,916</u>
EXPENDITURES			
Current:			
Regular instruction	\$ 2,963,401	\$ 600,939	\$ 3,564,340
Support services- General Administrative	1,876,630	75,655	1,952,285
Support Services- School Admin/ operations plant serv	1,439,629		1,439,629
On-behalf TPAF Social Security, Pen and Med	104,267		104,267
Capital outlay	1,561		1,561
Total expenditures	<u>\$6,385,488</u>	<u>\$676,594</u>	<u>\$7,062,082</u>
Excess (Deficiency) of revenues over expenditures	<u>744,573</u>	<u>(6,739)</u>	<u>737,834</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-		-
Transfers out	-		-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances - Increase	744,573	(6,739)	737,834
Fund balance - July 1, 2022	1,903,360	6,739	1,910,099
Fund balance - June 30, 2023	<u>\$ 2,647,933</u>	<u>\$ -</u>	<u>\$ 2,647,933</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this document.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2023**

Total net change in fund balances - governmental funds (from B-2) - Increase \$ 737,834

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (55,780)
Capital outlays	-

Amortization expense over principal payments on leases	\$ (55,780) (466,707)
--	--------------------------

Pension contributions are reported in governmental funds as expenditures; however, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.	0
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Change in net position of governmental activities (A-2) - Increase	<u><u>\$ 215,347</u></u>
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The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

Exhibit B-4

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Statement of Net Position
 Proprietary Funds
 As of June 30, 2023

	Proprietary Fund Business-Type Activities Enterprise
	<u>Enterprise</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$302
Interfund	\$0
Intergovernmental Receivable	
Federal	0
State	0
Total Current Assets	<u>0</u>
Total Assets	<u><u>\$302</u></u>
LIABILITIES	
Account Payable	<u>0</u>
Total Current Liabilities	<u>0</u>
Net Position	
Unrestricted	302
Invested in capital assets - net	
Total Net Position	<u><u>\$302</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	Proprietary Fund Business-Type Activities Enterprise
OPERATING REVENUES	
Cancellation of Accounts Payable	
Total Other	0
OPERATING EXPENSES	
Supplies, Materials & Other	(\$361)
Total Operating Expenses	(361)
Income (Loss) From Operations	(\$361)
Nonoperating Revenues	
State Sources	
State Sources	
Federal Sources	
School Breakfast Program	
National School Lunch Program	
Total Nonoperating Revenues	0
Net Income (Loss)	(\$361)
Transfer in - Subsidy From General Fund	0
Total Net Position - July 1, 2022	\$663
Total Net Position - June 30, 2023	\$302

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Exhibit B-6

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Statement of Cash Flows
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2023

	Proprietary Fund Business-Type Activities
Cash flows from operating activities	\$0
Cash Payments supplies, material and other	(361)
Net Cash (Used) by Operating Activities	<u>(361)</u>
Cash Flows from Noncapital Financing Activities	
Other State Grant Revenue	
Cash Received from State and Federal Subsidy Reimbursements	
Net Cash Provided by Noncapital Financing Activities	<u>0</u>
Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Decrease in Cash and Cash Equivalents	(361)
Cash and Cash Equivalents, Beginning of Year	663
Cash and Cash Equivalents, End of Year	<u><u>\$302</u></u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating Income (Loss)	(361)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Transfer of subsidy from General Fund	
Decrease in Inventory	
(Increase) Decrease in Accounts Receivable	
Change in Assets and Liabilities	
Total Adjustment	<u>0</u>
Net Cash Provided by (Used In) Operating Activities	<u><u>(\$361)</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

Exhibit B-7

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2023**

NOT APPLICABLE

Exhibit B-8

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

Middlesex County Stem Charter School ("Charter School") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board of Trustees (the 'Board') consists of appointed officials and are responsible for the fiscal control of the Charter School. A director is appointed by the Board and is the administrative control of the Charter School.

A reporting entity is comprised primary government, component units and other organizations that are included to insure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities for the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, section of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Charter School is presented to assist in understanding the Charter School's financial statements and notes are a representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

The financial statements of the Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Basis of Presentation

The Charter School's basic financial statements consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

Government-Wide Statements

The statement of net position presents the financial condition of the governmental activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited expectations. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

Government funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter School's major governmental funds:

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund - The General Fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment that are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings that the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service of the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Proprietary Funds

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Charter School:

Enterprise Fund - The Enterprise Fund is utilized to account for operations that were financed and operated in a manner similar to private business enterprises - where the intent of the Charter School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing education basis be financed or recovered primarily through user charges; or, where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into invested in capital assets net of related debt and unrestricted net position, if

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of fixed assets used by proprietary funds is charged as an expense against their operations.

In 2018, the Charter School entered into a shared service agreement with Central Jersey College Prep Stem Charter School ("Central Jersey") where the Central Jersey provides certain support and administrative staff to Middlesex for food services. Central Jersey bills Middlesex for these services based on the terms of their agreement.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. **Basis of accounting** refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery). financial position, and cash flow. All assets and all liabilities, whether current or non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net position.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

In the government wide statement of net position and statements of activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i.e. the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determine and "available" means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of P.L 2004 c73 (S 1701).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America (GAAP) with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of P.L 2004 c73 (S 1701).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America (GAAP) with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

F. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end. There were \$0 of encumbrances at June 30, 2023. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey Charter Schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Charter Schools.

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

I. Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

J. Capital Assets

General Fund capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Charter School maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Right-of-use Assets	*
Furniture and Equipment	7
Building Improvements	*
*Shorter of useful life or lease term	

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, the noncurrent portion of compensated absences and mortgage payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

L. Net Position/Fund Balance

School-Wide Statements

In the school-wide statements, there are three classes of net position:

- Invested in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included. Also included in invested in capital assets are amounts the Charter School prepaid in advance of the work performed.
- Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - any portion of net position not already classified as either net invested in capital assets or net position - restricted is classified as net position – unrestricted, which includes deferred inflows and outflows.

Fund Balance and Equity

The Charter School follows GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”), in establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds' financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School’s policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

M. Unearned/Deferred Revenue

Unearned/Deferred revenue in the special revenue fund represents cash that has been received but not yet earned.

N. Fund Equity

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

P. On-Behalf Payments

Revenues and expenditures of the General Fund include payment made by the state of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School's annual budget.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Deferred Outflows/Inflows

Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type which arise only under the accrual basis of accounting that qualify for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

R. Compensated Absences

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days.

As of June 30, 2023, Charter School-wide compensated absences amounted to \$-0-.

S. Fair Value of Financial Instruments

The Charter School follows the accounting and disclosure standards pertaining to GASB No. 72, Fair Value Measurement and Application, for qualifying assets and liabilities. Fair value is defined as the

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

price that the Charter School would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The Charter School uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Charter School. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

T. Adoption of New Accounting Standards

GASB 87: Leases

During fiscal year 2022, the Charter School adopted GASB Statement No. 87, Leases (GASB 87), which requires the Charter School to recognize intangible right-to-use lease assets and lease liabilities for its lessee agreements.

The Charter School accounts for any lease with a term greater than one year in accordance with GASB 87. The lease terms are defined as the noncancellable period of any lease, plus any options to extend under such leases, when management is reasonably certain those options will be exercised. Accordingly, the net present value of the estimated future minimum payments are reflected as a right-to-use lease asset and lease liability. The right-to-use lease assets will be recognized on a straight-line basis over the lesser of the life of the asset or the remaining lease period. The right-to-use lease assets related to the facility leases are being amortized over the term of each respective lease as follows:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

School Premises 5 years

During fiscal year 2023, the Charter School adopted the following GASB statements:

- GASB Statement No. 96, Subscription - Based Information Technology Arrangements. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.
- GASB Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Other accounting standards that the Charter School is currently reviewing for applicability and potential impact on the financial statements include:

- GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASE Statement No. 62, will be effective beginning with the fiscal year ending June 30, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
- GASB Statement No. 101, Compensated Absences, will be effective beginning with the fiscal year ending June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. As of June 30, 2023, none of the Charter School's bank balances were exposed to custodial risk. As of June 30, 2023, the Charter School cash balances were insured for \$250,000 by the FDIC and the remaining balance was subject to the provisions of GUDPA.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Charter School or bonds or other obligations of the local unit or units within which the Charter School is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2023, the Charter School had no investments.

4 PENSION PLANS

Description of Plans - Substantially all of the employees of the School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

4 **PENSION PLANS (continued)**

including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State.

The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the systems other related non-contributing employers.

Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, School, or public agency provided the employee is not a member of another state-administered retirement system.

The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 43:03B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirements benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined.

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

4 **PENSION PLANS (continued)**

The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

Significant Legislation - Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes - Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes - Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF.

The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2019 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2001, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. Under current statute the

MIDDLESEX COUNTY STEM CHARTER SCHOOL
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4 PENSION PLANS (continued)

School is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts and Schools).

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The School's contribution to PERS for the year ended June 30, 2023 was \$0.

In accordance with N.J.S.A 18A:66-66 the School recorded as revenue for the year ended June 30, 2023 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries in the amount of \$0. Also the State paid \$0 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

5 PENSION PLANS – GASB 68 DISCLOSURES

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$0 as measured on June 30, 2022 and \$0 as measured on June 30, 2021.

For the year ended June 30, 2023, the Charter School recognized pension expense of \$0 and revenue of \$0 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2023 is based upon changes in the collective net pension liability with a measurement period of June 30, 2021 through June 30, 2022. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2021 and June 30, 2022.

Although the Charter School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Charter School.

The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Collective deferred outflows of resources	\$4,996,491,160	\$6,356,228,800
Collective deferred inflows of resources	\$19,532,696,776	\$27,175,330,929
Collective net pension liability (Non-employer - State of New Jersey)	\$51,594,415,806	\$48,165,991,182
State's portion of the net pension liability that was associated with the Charter School	\$-0-	\$-0-
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	-0-	-0-

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation (Price):	2.75%
Inflation (Wage):	3.25%
Salary Increases: Thereafter	2.75 - 5.65% based on years of service
Investment Rate of Return:	7%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Postretirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits. The long term expected of return was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2022, are summarized in the following table:

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

5 **PENSION PLANS – GASB 68 DISCLOSURES (continued)**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US equity	27.00%	8.12%
Non-U.S. developed markets equity	13.50%	8.38%
Emerging markets equity	5.50%	10.33%
Private equity	13.00%	11.80%
Real estate	8.00%	11.19%
Real assets	3.00%	7.60%
High yield	4.00%	4.95%
Private credit	8.00%	8.10%
Investment grade credit	7.00%	3.38%
Cash equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk mitigation strategies	3.00%	4.91%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of the of the Net Pension Liability to Changes in the Discount Rate

At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
\$60,591,896,759	\$51,676,587,003	\$44,166,559,329

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at:
<http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

Public Employees’ Retirement System (PERS)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2023, the Charter School reported a liability of \$0 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022.

The Charter School’s proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2022. At June 30, 2022, the Charter School’s proportion was .0%.

For the year ended June 30, 2023, the Charter School recognized pension expense of \$0. At June 30, 2023, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

5 **PENSION PLANS – GASB 68 DISCLOSURES (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments		0
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	0	0
Charter School contributions subsequent to the measurement date.	0	0
Total	\$ 0	\$ 0

The Charter School reported \$0 as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ended June 30, 2023, the plan measurement date was June 30, 2022) will be recognized as a reduction of the net pension liability measured as of June 30, 2023.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30:
2022	0
2023	0
2024	0
2025	0
2026	0
Total:	\$ 0

	June 30, 2022	June 30, 2021
Collective deferred outflows of resources	\$1,715,543,211	\$1,164,738,169
Collective deferred inflows of resources	\$4,112,583,758	\$8,339,123,762
Collective net pension liability (Non-State-Local Group)	\$15,219,184,920	\$11,972,782,878
Charter School's proportion of net pension liability	\$0	\$0
Charter School's proportion percentage	0%	0%

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.75% – 6.55% - based on years of service
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

Sensitivity of the Charter School’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Charter School’s proportionate share of the net pension liability measured as of June 30, 2022, calculated using the discount rate of 7.00%, as well as what the Charter School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	2022		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Charter School’s proportionate share of the net pension liability	\$0	\$0	\$0

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

Long-Term Expected Rate of Return

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US equity	27.00%	8.12%
Non-U.S. developed markets equity	13.50%	8.38%
Emerging markets equity	5.50%	10.33%
Private equity	13.00%	11.80%
Real estate	8.00%	11.19%
Real assets	3.00%	7.60%
High yield	4.00%	4.95%
Private credit	8.00%	8.10%
Investment grade credit	7.00%	3.38%
Cash equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk mitigation strategies	3.00%	4.91%

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

6 POST RETIREMENT MEDICAL BENEFITS

Plan description and benefits provided

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefit for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPES plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

General Information about the OPEB Plan

State Health Benefit State Retired Employees Plan:

Pension and Other Postemployment Benefits (OPEB) Obligations in Fiscal Year 2022 the State funded the various defined benefit pension systems at 108 percent of the full actuarially determined contributions. Employer contributions to the pension plans are calculated per the requirements of the governing State statutes using generally accepted actuarial procedures and practices. The actuarial funding method used to determine the State's contribution is a matter of State law. Any change to the funding method requires the approval of the State Legislature and the Governor. The amount the State actually contributes to the pension plans may differ from the actuarially determined contributions of the pension plans because the State's contribution to the pension plans is subject to the appropriation of the State Legislature and actions by the Governor.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

6 **POST RETIREMENT MEDICAL BENEFITS (continued)**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers to recognize their proportionate share of the collective net pension liability. Under the new statement, the calculation of the pension liability was changed to a more conservative methodology and each employer was allocated a proportional share of the pension plans' net pension liability. The State's share of the net pension liability, based on a measurement date of June 30, 2021, which is required to be recorded on the financial statements, is \$75.1 billion. The Fiscal Year 2023 projected aggregate State contribution to the pension plans of \$6.8 billion represents 104 percent of the actuarially determined contribution. The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2022, the State paid PRM benefits for 161,238 State and local retirees. The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2022, the State contributed \$1.9 billion to pay for "pay-as-you-go" PRM benefit costs incurred by covered populations, a slight increase from \$1.8 billion in Fiscal Year 2021. The State has appropriated \$2.1 billion in Fiscal Year 2023 as the State's contribution to fund increases in prescription drugs and medical claims costs. In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2022 State OPEB liability to provide these benefits is \$88.9 billion, a decrease of \$12.7 billion, or 12.5 percent from the \$101.6 billion liability recorded in Fiscal Year 2021. Additional information on Pensions and OPEB can be accessed on the Division of Pensions & Benefits Financial Reports webpage: <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of trustees.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
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6 POST RETIREMENT MEDICAL BENEFITS (continued)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Preretirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP -2021. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP -2021. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP -2021 for current disabled retirees. Future disabled retirees was based on the Pub-2010 “Safety” (PFRS), “General” (PERS), and “Teachers” (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP -2021.

Total Nonemployer OPEB Liability: \$50,646,462,966

	TPAF	PERS
Salary increases:	2.75% to 4.25% based on years of service	2.75% to 6.55% based on years of service

Actuarial assumptions used in the July 1, 2021 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 to June 30, 2021.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long-term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount rate

The discount rate used to measure the total OPEB liability was 3.54%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20 -Bond Municipal

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

6 POST RETIREMENT MEDICAL BENEFITS (continued)

Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total OPEB Liability reported by the State of New Jersey:

	Total OPEB Liability
The State's Total OPEB Liability Balance at June 30, 2021	\$60,007,650,970
Changes for the year:	
Service Cost	2,770,618,025
Interest on the Total OPEB Liability	1,342,187,139
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	1,399,476,059
Changes of Assumptions	(13,586,368,097)
Gross Benefit Payments by the state	(1,329,476,059)
Contributions from Members	42,374,929
Net Changes	(9,361,188,004)
The State's Total OPEB Liability Balance at June 30, 2022	\$50,646,462,966
The State's Total OPEB Liability attributable to the Charter School	-0-

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current discount rate:

	June 30, 2021		
	At 1% Decrease 1.16%	At Discount Rate 2.16%	At 1% Increase 3.16%
Total OPEB Liability (School Retirees)	\$71,879,745,555	\$60,007,650,970	\$50,659,089,138
	June 30, 2022		
	At 1% Decrease 2.54%	At Discount Rate 3.54%	At 1% Increase 4.54%
Total OPEB Liability (School Retirees)	\$59,529,589,697	\$50,646,462,966	\$43,527,080,995

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

6 POST RETIREMENT MEDICAL BENEFITS (continued)

be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	June 30, 2021		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
Total OPEB Liability (School Retirees)	\$48,576,388,471	\$60,007,650,970	\$75,358,991,782

	June 30, 2022		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
Total OPEB Liability (School Retirees)	\$41,862,397,291	\$50,646,462,966	\$62,184,866,635

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Charter School recognized OPEB expense and related revenue of \$0 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the Charter School's proportionate share of school retirees OPEB is zero, and there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$9,042,402,619	\$15,462,950,679
Changes of assumptions or other inputs	8,765,620,577	17,237,289,230
Total	<u>\$17,808,023,196</u>	<u>\$32,700,239,909</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

6 POST RETIREMENT MEDICAL BENEFITS (continued)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2023	(\$2,517,151,602)
2024	(\$2,517,151,602)
2025	(\$2,517,151,602)
2026	(\$2,175,449,761)
2027	(1,243,951,140)
Thereafter	(3,921,361,006)
	<u>(\$14,892,216,713)</u>

7 ECONOMIC DEPENDENCY / CONCENTRATIONS

The Charter School receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if it were to occur, could have an effect on the Charter School’s programs and activities.

8 CONTINGENT LIABILITIES

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2023, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

The Charter School’s attorney’s letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Charter School and which might materially affect the Charter School’s financial position.

9 RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Annual Comprehensive Financial Report.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

9 RISK MANAGEMENT (continued)

New Jersey Unemployment Compensation - The Charter School has elected to fund its New Jersey Unemployment Compensation under the "Contributory Method". Under this plan, the Charter School is required to remit employee withholdings to the State on a quarterly basis. All of the Charter School's claims are paid by the State.

10 RECEIVABLES

Receivables as of June 30, 2023 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental and proprietary fund receivables are as follows:

	General Fund	Special Revenue Fund	Total
Receivables:			
Accounts	<u>\$522,011</u>	<u>\$334,151</u>	<u>\$886,162</u>
Gross Receivables	<u>\$522,011</u>	<u>\$334,151</u>	<u>\$886,162</u>

11 CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2023.

Capital asset activity for the fiscal year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Increase/ Decrease	Balance June 30, 2023
Governmental Activities			
Capital Assets, being Depreciated:			
Furniture and Equipment	\$427,822		\$427,822
Building Improvements	7,500		7,500
Total Capital Assets, being Depreciated	435,322		435,322
Less Accumulated Depreciation			
Furniture and Equipment	(131,580)	(54,709)	(186,289)
Building Improvements	(536)	(1,071)	(1,607)
Total Accumulated Depreciation	(132,116)	(55,780)	(187,896)
Governmental Activities Capital Assets	\$252,454	(\$55,780)	\$247,426

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

11 CAPITAL ASSETS (continued)

Depreciation expense of \$55,780 was charged to an unallocated function.

	Beginning Balance July 1, 2022	Net Additions (Deletions)	Ending Balance June 30, 2023
Governmental Activities			
Right to use lease assets:			
Premises	\$2,551,234	\$669,215	\$3,220,449
Total	\$2,551,234	\$669,215	\$3,220,449
Less: accumulated amortization for:	(510,247)	(563,234)	(1,073,483)
Right to use lease assets, net	<u>\$2,040,987</u>	<u>\$105,981</u>	<u>\$2,146,966</u>

12. RENTAL COMMITMENTS

The Charter School leases its premises under the terms of non-cancelable lease under the Charter School's current charter. Certain leases are automatically extended upon the charter renewal and can be extended through various dates through June 30, 2026. Interest expense on the leases was \$225,431 for the year ended June 30, 2023, which is reflected as lease interest expense in the accompanying budgetary comparison schedule – general fund (exhibit C-1). The net value of the right-to-use lease assets and lease liabilities was (\$511,608) as of June 30, 2023, which was calculated using a discount rate of 6% (the School's estimated incremental borrowing rate as of July 1, 2022). Amortization of the related right-to-use lease assets was \$563,234 for the year ended June 30, 2023.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Long Term Lease Schedule
June 30, 2023

	FUTURE MINIMUM LEASE PAYMENTS YEARS ENDING JUNE 30						Total
	2024	2025	2026	2027	2028	Thereafter	
Our Lady of Good Shepard							
613 Carlock Ave, Perth Amboy, NJ	\$ 443,605	\$ 456,913	-	-	-	-	\$ 900,518
Advanced Schools, Inc							
531 Washington Ave, Perth Amboy, NJ	511,139	754,912	-	-	-	-	\$ 1,266,050
Advanced Schools, Inc.							
580 Hazel Ave, Perth Amboy, NJ	257,346	265,041	270,000	-	-	-	\$ 792,387
Future Commitments	<u>\$ 1,212,090</u>	<u>\$ 1,476,866</u>	<u>\$ 270,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,958,955</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

13. SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events occurring after the financial statement date through January 22, 2024 which is the date the financial statements were available to be issued. Based upon this evaluation, the Charter School has determined that no subsequent events needed to be disclosed.

14. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position.

One element of that reconciliation explains that long-term liabilities, including deferred pension liability are not due and payable in the current period and therefore are not reported in the funds. The reconciliation is as follows:

Fund balance per B-1 as of June 30, 2023 - Governmental	\$2,647,933
Cost of capital assets net accumulated depreciation	247,426
Pension deferred outflows	0
Amortization expense over Principal Payments on Leases	(511,608)
Deferred pension liability	0
Net position (per A-1) as of June 30, 2023 - Governmental	\$2,383,751

15. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfunds - The composition of interfund balances as of June 30, 2023 is as follows:

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

15. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

Interfund Balances:

	Transfer In:		
	General Fund	Special Revenue	Other
	Accts Rec	(Payable)	Fund Payable
Transfer Out:			
General Fund	745,663	(717,756)	(27,907)
Total Transfers	745,663	(717,756)	(27,907)

16. RELATED PARTY TRANSACTIONS

In 2018, the Charter School entered into a shared service agreement with Central Jersey College Prep Stem Charter School (“Central Jersey”), where the Central Jersey provides certain support and Administrative staff to Middlesex. Central Jersey bills Middlesex for these services based on the terms of their agreement. As of June 30, 2023, Middlesex had a payable balance of \$-0-.

In 2019, Central Jersey entered into a food service agreement with Middlesex where Central Jersey would provide food services to Middlesex during the 2023 school year. The agreement is in accordance with Department of Agriculture guidelines. There are no changes for this service per the agreement.

There are members of Central Jersey’s Board of Trustees that also serve on the Middlesex Board of Trustees and the same school business administrator is used for both charter schools.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ 1,560,399	\$ -	\$ 1,560,399	\$ 1,396,529	\$ 163,870
State / Local Share	5,432,268	0	5,432,268	5,122,525	309,743
Miscellaneous	-	-	0	123,720	(123,720)
Total - Local Sources	<u>6,992,667</u>	<u>-</u>	<u>6,992,667</u>	<u>6,642,774</u>	<u>349,893</u>
Special Education	261,490	-	261,490	213,363	48,127
Security Aid	177,611	-	177,611	169,657	7,954
TPAF Pension (On-Behalf - Non-Budgeted)				-	
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)	-		-	-	
TPAF . LTD (On-Behalf - Non-Budgeted)				-	
TPAF Social Security (Reimbursed - Non-Budgeted)				104,267	(104,267)
Total State Sources	<u>439,101</u>	<u>-</u>	<u>439,101</u>	<u>487,287</u>	<u>(48,186)</u>
Total Revenues	<u>7,431,768</u>	<u>-</u>	<u>7,431,768</u>	<u>7,130,061</u>	<u>301,707</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	2,303,386	(165,748)	2,137,638	1,946,408	\$ 191,230
Other Salaries	1,220,328	(206,310)	1,014,018	871,381	142,637
Prof/Tech Services	25,719	(17,408)	8,311	8,311	-
Other Purchased Services (400-500 series)	39,960	28,345	68,305	68,305	-
General Supplies	145,758	(10,092)	135,666	67,318	68,348
Textbooks	51,898	(22,260)	29,638	1,339	28,299
Other Objects	1,900	-	1,900	339	1,561
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>3,788,949</u>	<u>(393,473)</u>	<u>3,395,476</u>	<u>2,963,401</u>	<u>432,075</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	558,955	97,160	656,115	576,575	79,540
Salaries of Secretarial and Clerical Assistants	45,945	20,000	65,945	61,684	4,261
Cost of Benefits	719,676	105,312	824,988	819,048	5,940
Consultants	63,500	1,254	64,754	53,646	11,108
Other Purchased Services (400-500 series)	232,348	(1,981)	230,367	183,854	46,513
Communications/Telephone	6,850	20,582	27,432	19,920	7,512
Supplies and Materials	25,500	31,014	56,514	30,706	25,808
Other Objects	57,378	74,165	131,543	131,197	346
	<u>1,710,152</u>	<u>347,506</u>	<u>2,057,658</u>	<u>1,876,630</u>	<u>181,028</u>
Support Services - School Admin/Operation Plant Services					
Salaries	340,928	85,584	426,512	418,945	7,567
Purchased Professional and Technical Services	10,000	35,774	45,774	45,677	97
Other Purchased Services	-	40,352	40,352	38,807	1,545
Rental of Land and Building- other than Lease Purchase Agreements	-	-	-	-	-
Insurance	18,380	4,696	23,076	23,076	-
General Supplies	57,434	(10,196)	47,238	47,238	-
Transportation- Trips	4,500	2,500	7,000	2,500	4,500
Lease Interest Expense	561,875	-	561,875	561,875	-
Principal Payments on Lease	282,309	(56,878)	225,431	225,431	-
Energy (Energy and Electricity)	96,000	(41,907)	54,093	54,093	-
Other Objects	-	26,710	26,709	21,987	4,722
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>1,371,426</u>	<u>86,635</u>	<u>1,458,060</u>	<u>1,439,629</u>	<u>18,431</u>
Food Service					
Other Purchased Services	-	-	-	-	-
Total Food Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
On-behalf TPAF Pension Contributions (non-budgeted)				-	-
On-behalf TPAF Medical Contributions (non-budgeted)				-	-
On-behalf - LTD Contribution (non-budgeted)				-	-
Reimbursed TPAF Social Security Contributions (non-budgeted)				104,267	(104,267)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,267</u>	<u>(104,267)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>3,081,578</u>	<u>434,141</u>	<u>3,515,718</u>	<u>3,420,526</u>	<u>95,192</u>
TOTAL GENERAL CURRENT EXPENSE	<u>6,870,527</u>	<u>40,668</u>	<u>6,911,195</u>	<u>6,383,927</u>	<u>527,267</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	60,360	(40,668)	19,692	1,561	18,131
Non-Instructional Equipment	-	-	-	-	-
LeasePurchase Agreements	-	-	-	-	-
Interest Expense	-	-	-	-	-
Total Equipment	<u>60,360</u>	<u>(40,668)</u>	<u>19,692</u>	<u>1,561</u>	<u>18,131</u>
TOTAL EXPENDITURES- GENERAL FUND	6,930,887	-	6,930,887	6,385,488	545,398
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>500,881</u>	<u>-</u>	<u>500,881</u>	<u>744,573</u>	<u>(243,691)</u>
Other Financing Sources:					
Operating Transfer In:	-	-	-	-	-
Total Other Financing Sources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	500,881	-	-	744,573	(243,691)
Fund Balance, July 1, 2022	-	-	1,903,360	1,903,360	
Fund Balance, June 30, 2023	<u>\$ 500,881</u>	<u>\$ -</u>	<u>\$ 1,903,360</u>	<u>\$ 2,647,933</u>	<u>\$ (243,691)</u>

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2023

Exhibit C-2
Page 1

	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	-		-	-	
State Sources	14,832		14,832	14,832	
Federal Sources	\$ 655,023		\$ 655,023	\$ 655,023	
Total Revenues	<u>669,855</u>		<u>669,855</u>	<u>669,855</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	215,516		215,516	215,516	
Other Salaries for Instruction	-		-	-	
Purchased Professional and Technical Services	73,777		73,777	73,777	
Other Purchased Services (400-500 series)	29,467		29,467	29,467	
Textbooks	-		-	-	
General Supplies	198,239		198,239	198,239	
Recruitment	-		-	-	
Instruction Supplies	31,231		31,231	31,231	
Personal Services- Employee Benefits	43,684		43,684	43,684	
Student Activity	6,739		6,739	6,739	
Instructional Equipment	2,286		2,286	2,286	
Equipment- Non instructional	-		-	-	
Miscellaneous Expense	-		-	-	
Total Instruction	<u>600,939</u>	<u>-</u>	<u>600,939</u>	<u>600,939</u>	
Support Services					
Salaries of Supervisor of Instruction	50,413		50,413	50,413	
Salaries of Program Directors					
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services	5,712		5,712	5,712	
Other Purchased Professional Services	-		-	-	
Supplies	19,530		19,530	19,530	
Communication	-		-	-	
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)					
Building Improvements					
Total Support Services	<u>75,655</u>		<u>75,655</u>	<u>75,655</u>	

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	676,594		676,594	676,594	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$ (6,739)		\$ (6,739)	\$ (6,739)	

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2023**

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues
and Expenditures**

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
 SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
 FOR THE FISCAL YEARS ENDED JUNE 30*
 (Unaudited)
 Public Employees' Retirement System (PERS)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Charter School Proportion of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A
Charter School Covered employee payroll	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A

*Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30*
(Unaudited)
Public Employees' Retirement System (PERS)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Charter School Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)
Teachers' Pension and Annuity Fund (TPAF)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Charter School Proportion of the net pension liability (asset)**	N/A	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)**	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the Charter School	N/A	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A	N/A
Charter School Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A	N/A

**NOTE: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible (employer) for contributions to the plan. Since the charter school does not contribute directly to liability to report in the financial the plan there is no net pension statements of the charter school.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Change of Benefit Terms: None

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in the notes to the financial statements.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE DISTRICT'S
PROPORTIONATE SHARE OF THE OPEB LIABILITY AND SCHEDULE OF DISTRICT PROPORTIONATE
SHARE OF THE OPEB LIABILITY NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Change of Benefit Terms: None

Change of Assumptions: Assumptions used in calculating the OPEB liability are presented in the notes to the financial statements.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY
(UNAUDITED)
Postemployment Health Benefit Plan**

	Fiscal Years*				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>The State of New Jersey's Total OPEB Liability</u>					
Service Cost	\$2,770,618,025	\$3,217,874,264	\$1,790,973,822	\$1,734,404,850	\$1,984,642,729
Interest	1,342,187,139	1,556,661,679	1,503,341,357	1,827,787,206	1,970,236,232
Difference Between Expected and Actual Experience	1,399,200,736	11,449,632,500	11,544,750,637	(7,323,140,818)	(5,002,065,740)
Benefit Payment	(1,329,476,059)	59,202,105	(1,180,515,618)	(1,280,958,373)	(1,232,987,247)
Contributions from Members	42,650,252		35,781,384	37,971,171	42,614,005
Changes of Assumptions or other inputs	(13,586,368,097)	(1,186,417,186)	12,386,549,981	622,184,027	(5,291,448,855)
Net change in total OPEB liability	(\$9,361,188,004)	(\$7,802,311,638)	\$26,080,881,563	(\$4,381,751,937)	(\$7,529,008,876)
Total OPEB Liability - Beginning	\$60,007,650,970	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
Total OPEB Liability - Ending	\$50,646,462,966	\$60,007,650,970	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982
The State of New Jersey's total OPEB liability**	\$50,646,462,966	\$60,007,650,970	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982
The State of New Jersey's OPEB liability attributable to the Charter School	0	0	0	0	0
The Charter School's proportionate share of the total OPEB liability	0	0	0	0	0
Charter School's covered employee payroll	0	0	0	0	0
Total Charter School's OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Charter School's contribution	None	None	None	None	None
State's covered employee payroll	\$14,753,355,408	\$14,425,669,769	\$14,267,738,657	\$13,929,081,045	\$13,640,275,833
Total State's OPEB liability as a percentage of its covered-employee payroll	343.29%	416.00%	475.00%	300.00%	338.00%

**Note: Other Post Employment Benefits (OPEB) for employees of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees Retirement System (PERS) is considered a special funding situation as defined by GASB Statement No. 75 in which the State of New Jersey is 100% responsible for contributions to the health insurance plan. The district (employer) does not contribute to the plan and the district's OPEB liability is zero.

*Until a full ten year trend is compiled, information will be presented for those years for which information is available.

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures- Budgetary Basis
 For the Fiscal Year Ended June 30, 2023

	TOTAL	TITLE I	TITLE II	TITLE IV	IDEA BASIC	IDEA PRESCHOOL	CRRSA ESSER	CRRSA LEARN ACCEL	CRRSA MENTAL HLTH	ARP ESSER	ARP ACC LEARN	CSP GRANT	SDA EMERGENT	STUDENT ACTIVITY
REVENUES														
Intergovernmental														
State	\$14,832												\$14,832	
Federal	655,023	\$177,032	\$18,809	\$11,720	\$70,259	\$1,292	\$14,765	\$14,950	\$30,813	\$183,574	\$35,512	\$96,297		
Other Sources														
Student Activity														
Total Revenues	669,855	177,032	18,809	11,720	70,259	1,292	14,765	14,950	30,813	183,574	35,512	96,297	14,832	0
EXPENDITURES														
Instruction														
Salaries	215,516	16,556			26,509		9,051	4,688		158,712				
Other Purchased Services	29,467		5,000		10,000				3,001	279		11,187		
Purchased Prof. and Tech.and Edu Services	73,777	8,036		1,758				2,901	18,036			43,046		
General Supplies	198,239	128,500		9,962		1,292		4,013		4,128	35,512		14,832	0
Recruitment	0													
Personal Services - Employee Benefits	43,684	13,678			20,150		3,428		6,428					
Rent	0													
Textbooks	0													
Student Activity	6,739													6,739
Instruction supplies	31,231	0					0					31,231		
Instructional Equipment	2,286						2,286							
Equipment Non- Instructional	0													
Miscellaneous Expense														
Total Instruction	600,939	166,770	5,000	11,720	56,659	1,292	14,765	11,602	27,465	163,119	35,512	85,464	14,832	6,739
Support Services														
Salaries of Supervisors of Instruction	50,413	10,262			13,000		0	3,348	3,348	20,455				
Salaries of Program Directors	0													
Salaries of Other Prof. Staff	0													
Salaries of Secretarial and Clerical Ass't	0													
Personal Services - Employee Benefits	0													
Supplies and Materials	19,530		8,097		600							10,833	0	
Communication	0													
Purchased Professional/Educational Services	5,712		5,712					0						
Class- room Improvements	0													
Building Improvements														
Non instructional Equipment														
Total Support Services	75,655	10,262	13,809	0	13,600	0	0	3,348	3,348	20,455	0	10,833	0	0
TOTAL EXPENDITURES	\$676,594	\$177,032	\$18,809	\$11,720	\$70,259	\$1,292	\$14,765	\$14,950	\$30,813	\$183,574	\$35,512	\$96,297	\$14,832	6,739
NET DECREASE	(6,739)													(6,739)

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Food Service Fund - The fund provides for the operation of food services in all schools.

Exhibit G-1

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Statement of Net Position
 Proprietary Fund
 As of June 30, 2023

	<u>Proprietary Fund Business-Type Activities Enterprise</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$302
Interfund	\$0
Intergovernmental Receivable	
Federal	0
State	0
Total Current Assets	<u> </u>
Total Assets	<u><u> \$302</u></u>
LIABILITIES	
Account Payable	<u> 0</u>
Total Current Liabilities	<u> 0</u>
Net Position	
Unrestricted	302
Invested in capital assets - net	
Total Net Position	<u><u> \$302</u></u>

Exhibit G-2

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Proprietary Fund Business-Type Activities Enterprise
OPERATING REVENUES	
Other Grants	
Cancellarion of Payable	\$0
PEBT	
EM Schools	
Total Other Grants	0
	0
OPERATING EXPENSES	
Supplies, Materials & Other	(\$361)
Total Operating Expenses	(361)
	(361)
Income (Loss) From Operations	(361)
Nonoperating Revenues	
State Sources	
State Sources	
Federal Sources	
School Breakfast Program	
National School Lunch Program	
Total Nonoperating Revenues	0
Net Income (Loss)	(361)
Transfer in - Subsidy From General Fund	0
Total Net Position - July 1, 2022	663
Total Net Position - June 30, 2023	\$302

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Statements of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	Proprietary Fund Business-Type Activities
Cash flows from operating activities	\$0
Cash Payments supplies, material and other	(361)
Net Cash (Used) by Operating Activities	(361)
 Cash Flows from Noncapital Financing Activities	
Other State Grant Revenue	
Cash Received from State and Federal Subsidy Reimbursements	
Net Cash Provided by Noncapital Financing Activities	0
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Decrease in Cash and Cash Equivalents	(361)
Cash and Cash Equivalents, Beginning of Year	663
Cash and Cash Equivalents, End of Year	\$302
 Reconciliation of Operating Income to Net Cash	
Used by Operating Activities	
Operating Income (Loss)	(\$361)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Transfer of subsidy from General Fund	
Decrease in Inventory	
(Increase) Decrease in Accounts Payable	
Change in Assets and Liabilities	
Total Adjustment	0
 Net Cash Provided by (Used In) Operating Activities	(\$361)

FIDUCIARY FUNDS

(NOT APPLICABLE)

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Combining Statement of Agency Funds Net Position
Fiduciary Funds
As of June 30, 2023**

NOT APPLICABLE

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2023**

NOT APPLICABLE

Exhibit H-3

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

Exhibit H-4

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

Exhibit H-5

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

STATISTICAL SECTION

This part of the Middlesex County Stem Charter School annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the school's overall financial health.

Contents

Exhibits

Financial Trends

J- 1 to J-5

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

J-6 to J-9

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

J-10 to J-13

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

J-14 and J-15

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

J-16 to J-20

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

FINANCIAL TRENDS

MIDDLESEX COUNTY STEM CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	2023	2022	2021	2020	2019
Governmental activities					
Invested in capital assets, net	\$ 247,426	\$ 303,206	\$ 267,323	\$ 26,915	\$ 35,886
Restricted- Capital Reserve	-	-	-	-	-
Unrestricted (Deficit)	2,136,325	1,910,099	1,315,749	405,466	(40,492)
Total governmental activities net position	<u>\$ 2,383,751</u>	<u>\$ 2,213,305</u>	<u>\$ 1,583,072</u>	<u>\$ 432,381</u>	<u>\$ (4,606)</u>
Business-type activities					
Invested in capital assets, net					
Unrestricted	302	663	50,246	-	7,462
Total business-type activities net position	<u>\$ 302</u>	<u>\$ 663</u>	<u>\$ 50,246</u>	<u>\$ -</u>	<u>\$ 7,462</u>
School-wide					
Invested in capital assets, net	247,426	303,206	267,323	26,915	120,352
Restricted	-	-	-	-	-
Unrestricted (Deficit)	2,136,627	1,910,099	1,265,503	355,325	(90,677)
Total school net position	<u>\$ 2,384,053</u>	<u>\$ 2,213,305</u>	<u>\$ 1,532,826</u>	<u>\$ 382,240</u>	<u>\$ 29,675</u>

Source: School Financial Statements

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Expenses					
Governmental activities					
Instruction					
Regular	3,564,340	2,359,597	1,386,010	1,224,695	498,965
Support Services:					
General administration	1,945,546	1,434,016	505,166	294,068	335,255
School Administrative Services	1,439,629	982,939	946,487	850,500	363,873
On-behalf TPAF Social Security / Pension / Medical	104,267	87,458	0	0	0
Student Activity	6,739				
Capital outlay	1,561	91,931	0	0	0
Unallocated depreciation	55,780	48,679	65,495	8,971	8,971
Total governmental activities expenses	<u>7,117,862</u>	<u>5,004,620</u>	<u>2,903,158</u>	<u>2,378,234</u>	<u>1,207,064</u>
Business-type activities:					
Proprietary Fund	361	80	105	0	50,989
Total business-type activities expense	<u>361</u>	<u>80</u>	<u>105</u>	<u>0</u>	<u>50,989</u>
Total school expenses	<u>7,118,223</u>	<u>5,004,700</u>	<u>2,903,263</u>	<u>2,378,234</u>	<u>1,258,053</u>
Program Revenues					
Governmental activities:					
Operating grants and contributions	669,855	595,605	183,383	125,052	8,282
Total governmental activities program revenues	<u>669,855</u>	<u>595,605</u>	<u>183,383</u>	<u>125,052</u>	<u>8,282</u>
Business-type activities:					
Charges for services					804
Proprietary Fund	0	50,989	0	0	0
Total business type activities program revenues	<u>0</u>	<u>50,989</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school program revenues	<u>669,855</u>	<u>646,594</u>	<u>183,383</u>	<u>125,052</u>	<u>8,282</u>
Net (Expense)/Revenue					
Governmental activities	(\$6,448,007)	(\$4,409,015)	(\$2,719,775)	(\$2,253,182)	(\$1,198,782)
Business-type activities	(361)	(50,909)	(105)	44	(50,185)
Total school-wide net expense	<u>(\$6,448,368)</u>	<u>(\$4,459,924)</u>	<u>(\$3,334,720)</u>	<u>(\$3,334,720)</u>	<u>(\$3,334,720)</u>
Governmental activities:					
State / Local Share	1,396,529	923,313	3,865,286	2,655,185	1,183,630
State and Federal Aid aid	5,609,812	3,670,871	0	0	0
PPP/SBA Loan Forgiveness	0	208,486	0		
Student Activity	0	1,559			
Amortization expense over principal payments on leases	(466,707)	(44,901)			
Miscellaneous income	123,720	135,588	0	34,984	10,546
Increase in Net Capital Outlay	0	99,431	0	0	0
Total activities	<u>6,663,354</u>	<u>4,994,347</u>	<u>3,865,286</u>	<u>2,690,169</u>	<u>1,194,176</u>
Business-type activities:					
Transfers	0	0	0	0	0
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school-wide	<u>6,663,354</u>	<u>4,994,347</u>	<u>3,865,286</u>	<u>2,690,169</u>	<u>1,194,176</u>
Change in Net Position					
Governmental activities	\$215,347	\$585,332	\$1,145,511	\$436,987	(\$4,606)
Business-type activities	(\$361)	(\$50,909)	(\$105)	\$44	\$6,868
Total school	<u>\$214,986</u>	<u>\$534,423</u>	<u>\$1,145,406</u>	<u>\$437,031</u>	<u>\$2,262</u>

Source: School Financial Statements

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
General Fund					
Unassigned	\$2,647,933	\$1,910,099	\$1,330,481	\$405,466	(\$40,492)
Total General Fund	\$2,647,933	\$1,910,099	\$1,330,481	\$405,466	(\$40,492)
All Other Governmental Funds					
Restricted	0	0	0	0	0
Total all other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ -

Source: School Financial Statements

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHOOL WIDE REVENUES AND EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues					
State sources	7,021,173	4,594,184	2,766,556	1,922,989	947,386
Miscellaneous revenue	123,720	345,633	709,530	514,128	208,025
Federal sources	655,023	595,605	572,583	378,104	47,047
Total revenue	<u>7,799,916</u>	<u>5,535,422</u>	<u>4,048,669</u>	<u>2,815,221</u>	<u>1,202,458</u>
Expenditures					
Instruction					
Regular Instruction	3,564,340	2,359,597	1,233,448	1,065,702	498,965
Support Services:	0	0	0	0	0
General administration	1,952,285	1,434,016	730,586	530,308	335,255
School administrative services/Plant	1,439,629	982,939	873,629	773,253	363,873
TPAF Social Security / Pension / Medical	104,267	87,458		0	0
Capital Outlay	1,561	91,931	291,034	0	44,857
Food Service	361	0	0	0	0
Student Activity	0	0	0	0	0
Total expenditures	<u>7,062,443</u>	<u>4,955,941</u>	<u>3,128,697</u>	<u>2,369,263</u>	<u>1,242,950</u>
Excess (Deficiency) of revenues over (under) expenditures					
Other Financing sources (uses)					
Transfers in					
Transfers out					
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>\$ 737,473</u>	<u>\$ 579,481</u>	<u>\$ 919,972</u>	<u>\$ 445,958</u>	<u>\$ (40,492)</u>

Source: School Financial Statements

REVENUE CAPACITY

MIDDLESEX COUNTY STEM CHARTER SCHOOL
General Fund - Other Local Revenue By Source

	Sale of Capital Assets	Donations	(Unaudited)			Totals
			Prior Year Refunds	Sale and Leaseback of Textbooks	Other Local	
2019		10,546				10,546
2020		34,984				34,984
2021						0
2022					135,588	135,588
2023					123,720	123,720

Source: School Financial Statements

Exhibit J-6

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

Exhibit J-7

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

Exhibit J-8

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

Exhibit J-10

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

Exhibit J-11

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

Exhibit J-12

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Years Ended June 30, 2023**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30
(UNAUDITED)

<u>Function/Program</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Instruction					
Regular	38	31	23	19	13
Special education	2				
Support Services:					
Student & instruction related services	6				
General administration	4	4	3	3	1
School administrative services	16	16	6	6	3
Central services					
Food Service					
Total	<u>66</u>	<u>51</u>	<u>32</u>	<u>28</u>	<u>17</u>

Source: School Personnel Records

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Operating Statistics
For the Fiscal Years Ended June 30
(UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary and Middle School	Senior High School				
2022	332	4,908,533	14,784	63.4%	31	11:1		317.3	296.1	20.5%	93.32%
2023	510	7,062,443	13,848	6.4%	40	13:1		460.5	430.7	45.2%	93.29%

Sources: School records

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
School Building Information
For the Fiscal Years Ended June 30
(UNAUDITED)**

<u>School Building</u>	2023	2022
Square Feet	41,874	31,890
Capacity (students)	524	332
Enrollment	510	332
Number of Schools at June 30		
Elementary	2	1

Source: School Records

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2023**

NOT APPLICABLE

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
INSURANCE SCHEDULE
JUNE 30, 2023
UNAUDITED**

	<u>Coverage</u>	
School Package Policy-DIPLOMA JOINT INSURANCE FUND		
Property- Blanket Building & Contents	\$ 500,000,000.00	\$ 5,000.00
Flood	\$ 10,000,000.00	\$ 5,000.00
Boiler & Machinery	\$ 100,000,000.00	\$ 5,000.00
Blanket Dishonest Bond	\$ 500,000.00	\$ 1,000.00
Comprehensive General Liability		
Per Occurrence	\$ 5,000,000.00	None
Aggregate	\$ 5,000,000.00	None
Comprehensive Automobile Liability	\$ 5,000,000.00	None
Auto Physical Damage	Actual Cash Value	\$ 1,000.00
Cyber Liability - 3rd Party	\$ 2,000,000.00	\$ 10,000.00
Cyber Liability - 1st Party	\$ 750,000.00	\$ 10,000.00
Environmental Impairment Liability- DIPLOMA JOINT INSURANCE FUND		
Each Incident	\$ 1,000,000.00	\$ 50,000.00
Aggregate	\$ 5,000,000.00	
School Leaders Professional Liability-DIPLOMA JOINT INSURANCE FUND		
Each Loss	\$ 5,000,000.00	\$ 15,000.00
Annual Aggregate	\$ 5,000,000.00	
IEP Defense Sublimit	\$ 100,000.00	\$ 15,000.00
Excess Liability- DIPLOMA JOINT INSURANCE FUND		
Excess Policy per occ/agg	\$ 15,000,000.00	None
Workers Compensation-DIPLOMA JOINT INSURANCE FUND		
Employers Liability Limit	\$ 5,000,000.00	Statutory None
Public Official Bond- Western Surety (CNA)		
Business Administrator/Board Secretary	\$ 150,000.00	None

Source: Risk Manager

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)**

**Charter School Performance Framework Financial Indicators
Near Term Indicators**

	2023	2022	2021	2020	2019
Cash and Cash Equivalents	1,912,957	690,615	1,059,216	372,872	904
Current Assets	2,856,912	2,080,922	1,989,025	641,406	184,919
Capital Assets-Net	247,426	303,206	0		0
Total Assets	3,104,338	2,384,128	1,989,025	641,406	823,798
Current Liabilities	208,677	170,160	708,653	286,081	275,596
Net Lease Liabilities	511,608				
Total Liabilities	720,285	170,160	708,653	286,081	275,596
Net Position	2,384,053	2,213,968	1,280,372	355,325	(90,677)
Total Revenue	7,799,916	5,586,411	4,048,669	2,815,221	1,202,458
Total Expenses	(7,062,443)	(4,956,021)	(3,128,697)	(2,369,263)	(1,242,950)
Change in Net Position	737,473	630,390	919,972	445,958	(40,492)
Depreciation	55,780	48,679	8,971	8,971	5,495
Interest payments	0	0	0	0	0
Final average daily enrollment	431	309.4	265	183	93
March 30th budgeted Enrollment	431	309.4	265	183	93
Near term indicators	2023	2022	2021	2020	2019
CURRENT RATIO	5	3.6	2.24	2.81	N/A
Unrestricted days cash	98.87	1.81	133	57	N/A
Enrollment variance	100%	100%	100%	100%	100%
Default	N/A	N/A	N/A	N/A	N/A
Total margin	10.00%	11.00%	23	16	N/A
Debt to Asset	0	0	0	0	0
Cash flow	1,222,342	(368,601)	686,344	371,968	N/A
Debt Service Coverage ratio	N/A	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

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EXHIBIT K-1

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Chairman and
Members of the Board of Trustees
Middlesex County Stem Charter School
County of Middlesex
Perth Amboy, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Middlesex County Stem Charter School ("the Charter School"), in the County of Middlesex, State of New Jersey, as of and for the fiscal year ending June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated January 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, I do not express an opinion on the effectiveness of the Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
January 22, 2024

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EXHIBIT K-2

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NJ OMB 15-08

The Honorable Chairman and
Members of the Board of Trustees
Middlesex County Stem Charter School
County of Middlesex
Perth Amboy, New Jersey

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

I have audited Middlesex County Stem Charter School's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Middlesex County Stem Charter School's major Federal and State programs for the year ended June 30, 2023. Middlesex County Stem Charter School's major Federal and State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Middlesex County Stem Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal and State Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and NJ OMB Circular 15-08. My responsibilities under those standards, the Uniform Guidance and NJ OMB Circular 15-08, are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Middlesex County Stem Charter School and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on

compliance for each major Federal and State programs. My audit does not provide a legal determination of Middlesex County Stem Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Middlesex County Stem Charter School's Federal and State programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Middlesex County Stem Charter School's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and NJ OMB Circular 15-08, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Middlesex County Stem Charter School's compliance with the requirements of each major Federal and State programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and NJ OMB Circular 15-08, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Middlesex County Stem Charter School's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Middlesex County Stem Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of Middlesex County Stem Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal and State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal and State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal and State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJOMB circular 15-08. Accordingly, this report is not suitable for any other purpose.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
January 22, 2024

MIDDLESEX COUNTY STEM CHARTER SCHOOL
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2023

Federal Grant/Pass-Through Grantor <u>Program Title</u>	Federal Assistance <u>Listing Number</u>	Federal Award <u>Identification Number</u>	Grant <u>Period</u>	Award <u>Amount</u>	Accounts Receivable <u>at July 1, 2022</u>	Prior <u>Carry-over</u>	Cash <u>Received</u>	Budgetary <u>Expenditures</u>	Refund of Prior Years' <u>Balances</u>	<u>Adjust</u>	Deferred Revenue/ (Accounts Receivable) <u>June 30, 2023</u>	Due to Grantor <u>June 30, 2023</u>
Special Revenue Fund:												
U.S. Department of Education												
Passed-Through NJ State Department of Education												
Title 1 Part A	84.010	S010A210030	07/01/21-09/30/22	131,289	(76,094)	-	76,094	-	-	-	-	-
Title 1 Part A	84.010	S010A220030	07/01/22-09/30/23	177,032	-	-	112,977	177,032	-	-	(64,055)	-
Title II	84.367A	S367A200029	07/01/20-09/30/21	12,743	10,000	-	-	-	10,000	-	-	-
Title II	84.367A	S367A210029	07/01/21-09/30/22	16,920	(5,170)	-	5,170	-	-	-	-	-
Title II	84.367A	S367A220029	07/01/22-09/30/23	18,809	-	-	4,203	18,809	-	-	(14,606)	-
Title IV	84.424	S424A210031	07/01/21-09/30/22	10,000	(4,902)	-	4,902	-	-	-	-	-
Title IV	84.424A	S424A220031	07/01/22-09/30/23	11,720	-	-	-	11,720	-	-	(11,720)	-
Total ESEA					(76,166)	-	203,346	207,561	10,000	-	(90,381)	-
Special Education Cluster												
IDEA Part B	84.027A	H027A200100	07/01/20-09/30/21	41,612	2,318	-	-	-	2,318	-	-	-
IDEA Part B	84.027A	H027A210100	07/01/21-09/30/22	55,392	(40,118)	-	40,118	-	-	-	-	-
IDEA Part B	84.027A	H027A220100	07/01/22-09/30/23	70,259	-	-	28,256	70,259	-	-	(42,003)	-
IDEA Pre-School	84.173A	H173A210114	07/01/21-09/30/22	725	(574)	-	574	-	-	-	-	-
IDEA Pre-School	84.173A	H173A220114	07/01/22-09/30/23	1,292	-	-	-	1,292	-	-	(1,292)	-
ARP IDEA Pre-School	84.173X	H173X210114	07/01/21-09/30/22	1,200	(1,200)	-	1,200	-	-	-	-	-
ARP IDEA Part B	84.027X	H027X210100	07/01/21-09/30/22	14,141	(14,141)	-	14,141	-	-	-	-	-
Total Special Education Cluster					(53,715)	-	84,289	71,551	2,318	-	(43,295)	-
Charter School Program Grant	84.282B	S282B190009	10/1/19 - 9/30/23	1,200,000	(214,615)	-	207,539	96,297	-	-	(103,373)	-
Education Stabilization Fund												
CRRSA ESSER 11	84.425D	S425D210027	03/13/20-09/30/23	274,113	(217,615)	-	211,661	14,765	-	-	(20,719)	-
CRRSA Learning Acceleration	84.425D	S425D210027	03/13/20-09/30/23	25,000	(10,050)	-	11,407	14,950	-	-	(13,593)	-
CRRSA Mental Health	84.425D	S425D210027	03/13/20-09/30/23	45,000	(14,187)	-	12,848	30,813	-	-	(32,152)	-
ARP ESSER	84.425U	S425U210027	03/13/20-09/30/24	616,052	(82,707)	-	256,664	183,574	-	-	(9,617)	-
ARP Accelerated Learning	84.425U	S425U210027	03/13/20-09/30/24	50,000	-	-	35,512	35,512	-	-	-	-
ARP Summer Learning and Enrichment	84.425U	S425U210027	03/13/20-09/30/24	40,000	-	-	-	-	-	-	-	-
ARP Beyond the School Day	84.425U	S425U210027	03/13/20-09/30/24	40,000	-	-	-	-	-	-	-	-
ARP Mental Health	84.425U	S425U210027	03/13/20-09/30/24	45,000	-	-	-	-	-	-	-	-
Total Education Stabilization Fund					(324,559)	-	528,092	279,614	-	-	(76,081)	-
Total Special Revenue/NJ Dept. of Education, Pass Through Programs					(669,055)	-	1,023,266	655,023	12,318	-	(313,130)	-
Total Expenditures of Federal Awards					\$ (669,055)	\$ -	\$ 1,023,266	\$ 655,023	\$ 12,318	\$ -	\$ (313,130)	\$ -

See accompanying notes to schedules of expenditures of Federal and State award programs.

MIDDLESEX COUNTY STEM CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2023

Exhibit K-4
Schedule B

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance June 30, 2022</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Adjustments</u>	<u>Repayment of Prior Years' Balances</u>	<u>Due to Grantor (Accts Rec) June 30, 2023</u>
NJ DEPARTMENT OF EDUCATION									
GENERAL FUND									
Equalization Aid	23-495-034-5120-078	7/1/22-06/30/23	\$ 6,519,054	\$ -	\$ 6,519,054	\$ 6,519,054	\$ -	\$ -	\$ -
Special Education Categorical Aid	23-495-034-5120-089	7/1/22-06/30/23	213,363	-	213,363	213,363	-	-	-
Security Aid	23-495-034-5120-084	7/1/22-06/30/23	169,657	-	169,657	169,657	-	-	-
Reimbursed Social Security Tax	23-495-034-5094-003	7/1/22-06/30/23	104,267	-	104,267	104,267	-	-	-
On-Behalf-Teachers' Pension and Annuity Fund LT Disability	23-495-034-5094-004	7/1/22-06/30/23	-	-	-	-	-	-	-
On-Behalf-Teachers' Pension and Annuity Fund	23-495-034-5094-002	7/1/22-06/30/23	-	-	-	-	-	-	-
On-Behalf-Teachers' Pension Post Retirement Medical	23-495-034-5094-001	7/1/22-06/30/23	-	-	-	-	-	-	-
Total General Fund				-	7,006,341	7,006,341	-	-	-
SPECIAL REVENUE FUND									
School Development Authority - Emergent Needs and Capital Maintenance	23-100-034-5120-519	7/1/22-06/30/23	47,844	-	14,832	14,832	-	-	-
Total Special Revenue Fund				-	14,832	14,832	-	-	-
Total State Financial Assistance				\$ -	\$ 7,021,173	\$ 7,021,173	\$ -	\$ -	\$ -
On-Behalf-Teachers' Pension and Annuity Fund LT Disability	23-495-034-5094-004	7/1/22-06/30/23			-	-			
On-Behalf-Teachers' Pension and Annuity Pension	23-495-034-5094-002	7/1/22-06/30/23			-	-			
On-Behalf-Teachers' Pension Post Retirement Medical	23-495-034-5094-001	7/1/22-06/30/23			-	-			
Less Amounts Not Subject to Single Audit On Behalf payments					-	-			
Total State Financial Assistance Subject to State Single Audit Major Program Determination				\$ -	\$ 7,021,173	\$ 7,021,173	\$ -	\$ -	\$ -

See accompanying notes to schedules of expenditures of Federal and State award programs.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1. GENERAL

The accompanying schedules present the activity of all federal and state assistance programs of the Middlesex County Stem Charter School. The Board of Trustees is defined in the Notes to the school's basic financial statements. All federal and state assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting revenue is not recognized until the subsequent year or expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Federal	State	Total
General Fund	0	\$7,006,501	\$7,006,501
Special Revenue Fund	655,023	14,832	669,855
Enterprise Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total Awards and Financial Assistance	<u>\$655,023</u>	<u>\$7,021,333</u>	<u>\$7,676,356</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. OTHER INFORMATION

The TPAF Social Security Contributions of \$104,267 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2023.

The amount reported as TPAF Pension System Contributions in the amount of \$0 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$0 and long term disability contributions of \$0 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2023.

NOTE 6. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the schools basic financial statements and the amount subject to State single audit and major program determination.

NOTE 7. DE MINIMIS INDIRECT COST RATE

The Charter School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

Type of auditor’s report issued:	Unmodified	
	<u>YES</u>	<u>NO</u>
Internal control over financial reporting:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Noncompliance material to financial statements noted?		X

Federal Awards

N/A

Internal control over compliance:
Material weakness(es) identified?
Significant deficiencies identified not considered to be material weakness(es)?

Type of auditor’s report on compliance for major programs:
Any audit findings disclosed that are required to be Reported in accordance with 2CFR 200.156(A) of Uniform Guidance

Identification of major programs:

Federal AL Number	Name of Federal Program
--------------------------	--------------------------------

Dollar threshold used to distinguish between type A and type B programs (.520)

Auditee qualified as low risk auditee:

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)

State Awards	<u>YES</u>	<u>NO</u>	
Dollar threshold used to distinguish between type A and type B programs (.520)	\$750,000		
Auditee qualified as low risk auditee:	X		
Type of auditor’s report issued:		Unmodified	
Internal control over major programs:			
Material weakness(es) identified:		X	
Significant deficiencies identified not considered to be material weakness(es)?		X	None Reported
Type of auditor’s report on compliance for major programs:		Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?		X	
Identification of major programs:			
<u>State/Grant Program Numbers</u>			<u>Name of State Program</u>
23-495-034-5120-078			Equalization Aid
23-495-034-5120-089			Special Education Aid
23-495-034-5120-084			Security Aid

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

No federal and state award findings and questioned costs noted that are required to be reported in accordance of U.S. Uniform Guidance or with NJOMB Circular 15-08.

**MIDDLESEX COUNTY STEM CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Status of Prior Year Findings

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance (section .315(a)(b)) and New Jersey OMB's Circular 15-08.

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. There were no prior year findings.